

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>Charter Township of Brandon</b>	County <b>Oakland</b>
Fiscal Year End <b>12/31/06</b>	Opinion Date <b>5/17/07</b>	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	Report on Internal Control		
Certified Public Accountant (Firm Name) <b>Plante &amp; Moran, LLC</b>		Telephone Number <b>810-767-5350</b>		
Street Address <b>111 East Court Street, Suite 1A</b>		City <b>Flint</b>	State <b>MI</b>	Zip <b>48502</b>
Authorizing CPA Signature 		Printed Name <b>Joseph C. Heffernan</b>		License Number <b>1101012480</b>

# **Charter Township of Brandon Oakland County, Michigan**

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**Financial Report**  
**with Supplemental Information**  
**December 31, 2006**

# Charter Township of Brandon

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## Independent Auditor's Report

To the Township Board  
Charter Township of Brandon  
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Brandon as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Brandon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Brandon as of December 31, 2006 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board  
Charter Township of Brandon  
Oakland County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Township of Brandon's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

May 17, 2007

# Charter Township of Brandon

## Management's Discussion and Analysis

Our discussion and analysis of Charter Township of Brandon's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

### Governmental Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets, compared to the prior two years:

	2004	2005	2006	Change from Prior Year	
				in Dollars	as %
Cash and investments	\$ 3,108,573	\$ 2,469,768	\$ 2,897,769	\$ 428,001	17.3%
Current receivables	1,454,359	2,188,267	1,559,716	(628,551)	-28.7%
Lease receivable	3,355,000	3,190,000	3,010,000	(180,000)	-5.6%
Capital assets	3,217,920	3,006,453	3,072,583	66,130	2.2%
Total assets	11,135,852	10,854,488	10,540,068	(314,420)	-2.9%
Current liabilities	567,510	697,597	696,845	(752)	-0.1%
Deferred revenue	2,108,214	2,233,946	2,383,139	149,193	6.7%
Long-term liabilities	3,680,125	3,360,071	3,041,705	(318,366)	-9.5%
Total liabilities	6,355,849	6,291,614	6,121,689	(169,925)	-2.7%
Net assets:					
Invested in capital assets, net of related debt	2,634,596	2,549,728	2,736,554	186,826	7.3%
Restricted	556,129	229,207	73,884	(155,323)	-67.8%
Unrestricted	1,589,278	1,783,939	1,607,941	(175,998)	-9.9%
Total net assets	<u>\$ 4,780,003</u>	<u>\$ 4,562,874</u>	<u>\$ 4,418,379</u>	<u>\$ (144,495)</u>	<u>-3.2%</u>

# Charter Township of Brandon

## Management's Discussion and Analysis (Continued)

	2004	2005	2006	Change from Prior Year	
				in Dollars	as %
<b>Revenue</b>					
Program revenue:					
Charges for services	\$ 540,145	\$ 517,727	\$ 417,012	\$ (100,715)	-19.5%
Operating grants	163,313	125,687	143,773	18,086	14.4%
General revenue:					
Property taxes	1,605,815	1,929,860	2,133,708	203,848	10.6%
State-shared revenue	993,111	985,527	974,905	(10,622)	-1.1%
Investment earnings	107,213	160,862	214,052	53,190	33.1%
Other revenue	79,010	53,850	21,474	(32,376)	-60.1%
Special item - Gain on sale of land	-	487,552	-	(487,552)	-100.0%
Total revenue	3,488,607	4,261,065	3,904,924	(356,141)	-8.4%
<b>Program Expenses</b>					
General government	1,218,854	1,594,465	1,183,767	(410,698)	-25.8%
Police	1,554,322	1,658,898	1,698,798	39,900	2.4%
Building inspections	192,091	184,232	154,869	(29,363)	-15.9%
Public works	275,438	265,132	248,022	(17,110)	-6.5%
Planning and zoning	54,966	34,000	37,822	3,822	11.2%
CDBG program	60,649	17,895	19,932	2,037	11.4%
Recreation programs	410,170	393,026	400,989	7,963	2.0%
Senior services and van	141,477	171,845	146,587	(25,258)	-14.7%
Interest on long-term debt	159,317	158,701	158,633	(68)	0.0%
Total expenses	4,067,284	4,478,194	4,049,419	(428,775)	-9.6%
<b>Change in Net Assets</b>	<b>\$ (578,677)</b>	<b>\$ (217,129)</b>	<b>\$ (144,495)</b>	<b>\$ 72,634</b>	<b>-33.5%</b>

The governmental net assets decreased 3.6 percent from a year ago - from \$4.6 million to \$4.4 million. However, unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) totaled \$1.6 million, which represents 40 percent of annual expenses.

Revenues decreased \$356,141 for 2006. The prior year, this included a special item from the sale of land of \$487,000. In addition, there were decreases in both building permit activity, and recreation program fees. On the positive side, the Township's property tax base remains strong, and property tax revenue increased 10%, driven by taxable value growth. Also, improvements in interest rates resulted in a 33% increase in investment income.

Expenses decreased by \$428,775, which represents 10 percent of total expenses. This decrease is primarily due to the Township's 2005 cost to adopt the MERS pension system of \$382,000 (included in general government expense).

# **Charter Township of Brandon**

## **Management's Discussion and Analysis (Continued)**

### **The Township's Funds**

Our analysis of the Township's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for the year ended December 31, 2006 include the General Fund, the Police Fund, the Recreation Fund, and the Library Debt Service Fund, and the Designated Fund.

The General Fund pays for essentially all of the Township's governmental services that are not funded by a specific restricted source (such as police, fire, recreation, or special assessment projects). The current year decrease in the General Fund balance is the result of the Township board decision to re-allocate funds intended for specific future uses into a separate "Designated" fund. If not for this transfer, the General fund's fund balance would have increased approximately \$60,000 during 2006.

The Police Fund is funded by a special police millage that pays for the contract for police services with the Oakland County Sheriff's department. For 2006, the millage brought in somewhat less than the cost of the county sheriff contract plus other costs incurred directly by the Township. As a result, the fund ended the year with a \$15,000 deficit. For 2007, the Township has taken several steps to eliminate the deficit. The special millage has been increased by ½ mill (from 3.0 to 3.5), which will raise an additional \$260,000. In addition, there are several cost reductions, such as elimination of a shared Sergeant position and modifications to the Oakland County contract that will reduce its cost. The Township expects to maintain a fund balance in excess of \$100,000 in this fund.

During the year a new fund was created to account for funds designated by the Township Board for specific future uses. Note 12 provides additional detail as to the intended uses of these funds.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant changes were to capital outlay and transfers in and out. Overall, Township departments were \$300,000 under budget (or about 13%), before considering the interfund transfers related to the new Designated Fund. At the end of the year, the General Fund's fund balance was equivalent to 24 percent of annual General Fund expenditures. The Township considers this to be an appropriate minimum level of fund balance (with the target minimum being 25%)



# **Charter Township of Brandon**

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## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

At the end of 2006, the Township had \$3,000,000 invested in capital assets, primarily land, buildings, furnishings, and public sidewalks. In addition, the Township has invested significantly in roads within the Township. These assets are the property of the Oakland County Road Commission (along with the responsibility to maintain them).

### **Contacting the Township's Management**

This financial report is intended to provide our citizens with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

# Charter Township of Brandon

## Statement of Net Assets December 31, 2006

	Primary Government - Governmental Activities	Component Unit - Fire Authority
<b>Assets</b>		
Cash and investments (Note 3)	\$ 2,897,769	\$ 1,823,985
Property taxes receivable	1,180,347	2,290,173
Special assessments	11,997	-
Due from other governments	322,267	-
Prepaid expenses	45,105	54,429
Lease receivable (Note 13):		
Due within one year	190,000	-
Due in more than one year	2,820,000	-
Capital assets - Net (Note 5):		
Assets subject to depreciation	1,653,412	3,088,537
Assets not subject to depreciation	1,419,171	1,857,202
Total assets	10,540,068	9,114,326
<b>Liabilities</b>		
Accounts payable	327,019	42,953
Accrued and other liabilities	35,155	20,765
Deferred revenue (Note 4)	2,383,139	2,290,173
Noncurrent liabilities (Note 7):		
Due within one year	334,671	250,791
Due in more than one year	3,041,705	1,625,484
Total liabilities	6,121,689	4,230,166
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	2,736,554	3,103,495
Restricted for:		
Metro Authority	22,989	-
Cemetery operations	5,374	-
Debt service	7,127	-
Public works	38,394	-
Unrestricted	1,607,941	1,780,665
Total net assets	\$ 4,418,379	\$ 4,884,160

# Charter Township of Brandon

## Statement of Activities Year Ended December 31, 2006

	Program Revenues			
		Charges for	Operating Grants and Contributions	Net (Expense) Revenue
Functions/Programs	Expenses	Services		
Primary government -				
Governmental activities:				
General government	\$ 1,183,767	\$ 36,477	\$ 14,015	\$ (1,133,275)
Public safety:				
Police	1,698,798	26,136	4,706	(1,667,956)
Building inspections and related	154,869	67,224	-	(87,645)
Public works:				
Streets	134,744	-	87,335	(47,409)
Street lighting	17,063	-	-	(17,063)
Stormwater drainage	1,065	-	-	(1,065)
Septic system maintenance	6,235	6,451	-	216
Lake weed cutting	79,752	22,022	-	(57,730)
Cemetery	9,163	3,950	-	(5,213)
Health and welfare				
Senior citizen services	89,291	-	-	(89,291)
Senior van	57,296	-	-	(57,296)
Community and economic development:				
Planning and zoning	37,822	5,715	-	(32,107)
CDBG program	19,932	-	22,717	2,785
Recreation programs	400,989	249,037	15,000	(136,952)
Interest on long-term debt	158,633	-	-	(158,633)
Total	<u>\$ 4,049,419</u>	<u>\$ 417,012</u>	<u>\$ 143,773</u>	<u>\$ (3,488,634)</u>
Component unit - Fire Authority	<u>\$ 1,997,965</u>	<u>\$ 185,931</u>	<u>\$ 17,322</u>	<u>\$ (1,794,712)</u>

# Charter Township of Brandon

## Statement of Activities (Continued) Year Ended December 31, 2006

	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government - Governmental Activities	Component Unit - Fire Authority
<b>Net (Expense) Revenue</b> (Continued)	\$ (3,488,634)	\$ (1,794,712)
<b>General Revenues</b>		
Property taxes	2,133,708	2,157,082
State-shared revenues	974,905	-
Investment earnings	214,052	120,423
Cellular tower fees	55,333	-
Loss on sale of assets	(34,202)	(1,000)
Miscellaneous	343	444
Total general revenues	3,344,139	2,276,949
<b>Change in Net Assets</b>	(144,495)	482,237
<b>Net Assets</b> - Beginning of year	4,562,874	4,401,923
<b>Net Assets</b> - End of year	<u>\$ 4,418,379</u>	<u>\$ 4,884,160</u>

# Charter Township of Brandon

## Governmental Funds Balance Sheet December 31, 2006

	General	Police	Recreation Program	Library Debt Service	Designated Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments (Note 3)	\$ 575,741	\$ 1,059,250	\$ 38,263	\$ 153,943	\$ 1,013,866	\$ 56,706	\$ 2,897,769
Receivables - Net:							
Property taxes	299,203	702,357	-	178,787	-	-	1,180,347
Special assessments	-	-	-	-	-	11,997	11,997
Due from other governments	165,575	-	-	-	-	-	165,575
Prepaid expenses	40,766	1,545	2,794	-	-	-	45,105
Total assets	<u>\$ 1,081,285</u>	<u>\$ 1,763,152</u>	<u>\$ 41,057</u>	<u>\$ 332,730</u>	<u>\$ 1,013,866</u>	<u>\$ 68,703</u>	<u>\$ 4,300,793</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 52,558	\$ 264,793	\$ 7,166	\$ 2	\$ -	\$ 2,500	\$ 327,019
Accrued and other liabilities	10,281	-	-	-	-	-	10,281
Deferred revenue (Note 4)	530,953	1,513,481	20,133	318,572	-	4,590	2,387,729
Total liabilities	593,792	1,778,274	27,299	318,574	-	7,090	2,725,029
<b>Fund Balances</b>							
Reserved for:							
Prepaid expenses	40,766	1,545	2,794	-	-	-	45,105
Unreserved, reported in:							
General Fund:							
Undesignated	446,727	-	-	-	-	-	446,727
Special Revenue Funds:	-	-	-	-	-	-	-
Designated (Note 12)	-	-	-	-	1,013,866	-	1,013,866
Undesignated (deficit)	-	(16,667)	10,964	-	-	43,768	38,065
Debt Service Funds -							
Undesignated	-	-	-	14,156	-	17,845	32,001
Total fund balances	<u>487,493</u>	<u>(15,122)</u>	<u>13,758</u>	<u>14,156</u>	<u>1,013,866</u>	<u>61,613</u>	<u>1,575,764</u>
Total liabilities and fund balances	<u>\$ 1,081,285</u>	<u>\$ 1,763,152</u>	<u>\$ 41,057</u>	<u>\$ 332,730</u>	<u>\$ 1,013,866</u>	<u>\$ 68,703</u>	<u>\$ 4,300,793</u>

# Charter Township of Brandon

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## **Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets December 31, 2006**

**Fund Balances Reported in Governmental Funds** \$ 1,575,764

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and are not reported in the funds 3,072,583

Revenue-sharing due from State not received within 60 days of year end is  
not available currently and is not recorded in the funds 156,692

Lease receivable is not a receivable in the current period and is not  
reported in the funds 3,010,000

Special assessment receivables are expected to be collected over several  
years, and are not available to pay for current year expenditures 4,590

Interest amounts on long-term liabilities are not payable until due in the  
funds (24,874)

Long-term liabilities are not due and payable in the current period and are  
not reported in the funds (3,376,376)

**Net Assets of Governmental Activities** \$ 4,418,379

# Charter Township of Brandon

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2006

	General	Police	Recreation Program	Library Debt Service	Designated Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>							
Property taxes	\$ 507,636	\$ 1,507,965	\$ -	\$ 298,107	\$ -	\$ -	\$ 2,313,708
Licenses and permits	68,412	4,706	-	-	-	-	73,118
Federal grants	22,717	-	-	-	-	-	22,717
State-shared revenues and grants	992,871	-	-	-	11,163	-	1,004,034
Charges for services	6,199	-	245,456	-	-	-	251,655
Fines and forfeitures	-	26,136	-	-	-	-	26,136
Interest and rentals	134,777	30,887	9,098	4,440	36,933	1,498	217,633
Other	47,362	21,250	15,000	-	55,333	106,152	245,097
Total revenue	1,779,974	1,590,944	269,554	302,547	103,429	107,650	4,154,098
<b>Expenditures</b>							
Current:							
General government	1,162,636	-	-	-	-	-	1,162,636
Public safety:							
Police	-	1,713,046	-	-	-	-	1,713,046
Building inspections and related	154,145	-	-	-	-	-	154,145
Public works:							
Streets	83,967	-	-	-	-	-	83,967
Street lighting	17,063	-	-	-	-	-	17,063
Stormwater drainage	1,065	-	-	-	-	-	1,065
Septic system maintenance	-	-	-	-	-	6,235	6,235
Lake weed cutting	-	-	-	-	-	79,752	79,752
Cemetery	-	-	-	-	-	9,163	9,163
Health and welfare:							
Senior citizen services	77,693	-	-	-	-	-	77,693
Senior van	57,296	-	-	-	-	-	57,296
Community and economic development:							
Planning and zoning	37,822	-	-	-	-	-	37,822
CDBG program	19,932	-	-	-	-	-	19,932
Recreation programs	119,532	-	248,628	-	-	-	368,160
Capital outlay	206,005	-	24,745	-	-	-	230,750
Debt service	127,607	-	-	315,845	-	27,639	471,091
Total expenditures	2,064,763	1,713,046	273,373	315,845	-	122,789	4,489,816
<b>Excess of Revenue Over (Under)</b>							
Expenditures	(284,789)	(122,102)	(3,819)	(13,298)	103,429	(15,139)	(335,718)
<b>Other Financing Sources (uses)</b>							
Issuance of debt	11,762	-	-	-	-	-	11,762
Transfers in (Note 6)	349,694	106,980	2,500	-	1,369,611	17,000	1,845,785
Transfers out (Note 6)	(1,127,857)	(106,980)	(127,160)	-	(459,174)	(24,614)	(1,845,785)
Total other financing sources (uses)	(766,401)	-	(124,660)	-	910,437	(7,614)	11,762
<b>Net Change in Fund Balances</b>	(1,051,190)	(122,102)	(128,479)	(13,298)	1,013,866	(22,753)	(323,956)
<b>Fund Balances - Beginning of year</b>	1,538,683	106,980	142,237	27,454	-	84,366	1,899,720
<b>Fund Balances (deficit) - End of year</b>	<u>\$ 487,493</u>	<u>\$ (15,122)</u>	<u>\$ 13,758</u>	<u>\$ 14,156</u>	<u>\$ 1,013,866</u>	<u>\$ 61,613</u>	<u>\$ 1,575,764</u>

# Charter Township of Brandon

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2006**

**Net Change in Fund Balances - Total Governmental Funds** \$ (323,956)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	230,612
Depreciation	(130,280)
Net book value of assets disposed of	(34,202)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end

2,443

The statement of activities column does not recognize the property taxes collected to support the lease receivable

(180,000)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)

(6,451)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

312,458

Debt proceeds are not reported as financing sources on the statement of activities

(11,762)

Decrease in accumulated employee sick and vacation pay are recorded when earned in the statement of activities

(3,357)

**Change in Net Assets of Governmental Activities** \$ (144,495)



# Charter Township of Brandon

## Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2006

	Employee Benefit Trust Fund (Retiree Health Care)	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 156,005	\$ 3,877,284
Due from other governments	-	5,451
Total assets	156,005	<u><u>\$ 3,882,735</u></u>
<b>Liabilities</b>		
Due to other governmental units	-	\$ 2,685,975
Accounts payable	13,618	18,721
Due to component unit	-	1,017,996
Accrued liabilities	-	160,043
Total liabilities	13,618	<u><u>\$ 3,882,735</u></u>
<b>Net Assets</b> - Held in trust for other employee benefits	<u><u>\$ 142,387</u></u>	-

# Charter Township of Brandon

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## **Fiduciary Funds Statement of Change in Net Assets December 31, 2006**

	Employee Benefit Trust Fund (Retiree Health Care)
<b>Additions</b>	
Investment income - Interest and dividends	\$ 5,184
Contributions - Employer	<u>43,429</u>
<b>Net Increase in Net Assets Held in Trust</b>	48,613
<b>Net Assets Held in Trust for Other Employee Benefits</b>	
Beginning of year	<u>93,774</u>
End of year	<u><b>\$ 142,387</b></u>

# Charter Township of Brandon

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## Notes to Financial Statements December 31, 2006

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Charter Township of Brandon (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

#### **Reporting Entity**

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component unit (the Brandon Ortonville Joint Fire Authority, the "Fire Authority"), an entity for which the Township is considered to be financially accountable.

The Fire Authority is governed by a four-member advisory board. The Fire Authority provides fire protection for the Township and the Village of Ortonville. Two of the advisory members are selected by the Township. The Township controls the property tax levy that funds the Fire Authority and approves the annual budget along with the Village of Ortonville; therefore, the Fire Authority is fiscally dependent on the Township. The Fire Authority is reported in a separate component unit column in the government-wide financial statements to emphasize that it is legally separate from the Township. Complete financial statements of the Fire Authority can be obtained at its administrative offices at 53 South Street, Ortonville, Michigan.

In addition, the Township treasurer holds the cash and investments of the Brandon Public Library. This is a separate legal entity with separately issued financial statements. The Township does not control appointment to its governing board, nor is the Library fiscally dependent on the Township. The cash and investments of the Library are included in the Township's Trust and Agency Fund.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

# **Charter Township of Brandon**

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## **Notes to Financial Statements December 31, 2006**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, any special assessments and federal grant reimbursements that will be collected after the period of availability are recorded as "deferred revenue."

# **Charter Township of Brandon**

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## **Notes to Financial Statements December 31, 2006**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for a special tax levy that is used to finance the Township's service contract with Oakland County to provide sheriff deputies patrolling within the Township.

The Recreation Program Fund accounts for recreation and culture activities within the Township which are financed through various user charges and miscellaneous local sources.

The Library Debt Service Fund is used to account for the annual payment of principal, interest, and other expenses.

The Designated Fund is used to account for funds designated by the Township Board.

Additionally, the Township reports the following fiduciary activities:

The Employee Benefit Trust Fund accounts for the activities related to post employment benefits, which accumulates resources for post employment health care costs for qualified employees.

The Agency Funds account for assets held by the Township in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Agency Funds account for the following: cash and investments of the Library, which are managed by the Township Treasurer; resources provided by the private cable provider that are passed along to the cable commission; collection of property taxes by the treasurer and the subsequent remittance to the local taxing units; funds set aside to pay payroll and tax withholdings; funds held on behalf of the Upper Bushman Association; and performance deposits held in escrow until return to the developers or builders.

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When an expense is incurred for which both restricted and unrestricted net assets are available the Township's policy is to first apply restricted resources.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 tax is levied and collectible on December 1, 2005, and is recognized as revenue in the year ended December 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled approximately \$491 million of real property and \$13.5 million of personal property (a portion of which is abated and a portion of which is captured by the TIFA and DDA). The Township's tax levy for the year ended December 31, 2006 was as follows:

	<u>Millage Rate</u>	<u>Levy</u>
Operating	1.00	\$ 505,000
Police	3.00	1,514,000
Fire (real property only)	4.39	2,156,000
Debt service	<u>0.60</u>	<u>303,000</u>
Total	<u>8.99</u>	<u>\$ 4,478,000</u>

These amounts are recognized in the respective General, Special Revenue, and Debt Service Fund financial statements as tax revenue, net of administrative fees, as well as the component unit's (Fire Authority) financial statements.

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note I - Summary of Significant Accounting Policies (Continued)

#### Community Development Block Grant revenue

The Township incurred Community Development Block Grant revenue of \$22,717 and had federal expenditures of \$19,932.

#### Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, equipment, and other assets are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	40 to 50 years
Land improvements	20 to 30 years
Vehicles	3 to 20 years
Office furnishings	5 to 7 years
Other tools and equipment	3 to 7 years
Sidewalks	15 to 20 years
Participation in county roads	15 to 20 years

# Charter Township of Brandon

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## Notes to Financial Statements December 31, 2006

### Note I - Summary of Significant Accounting Policies (Continued)

**Employee Compensated Absences** - It is the Township's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.



# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 2 - Stewardship, Compliance, and Accountability

**Construction Code Fees** - The Township oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall is as follows:

Shortfall at January 1, 2006		\$ (268,823)
Current year building permit revenue		65,104
Related expenses:		
Direct costs	\$ 150,598	
Estimated indirect costs	<u>Not estimated</u>	
Total construction code expenses		<u>150,598</u>
Cumulative shortfall at December 31, 2006		<u><u>\$ (354,317)</u></u>

**Fund Deficit** – The Police fund at year end had a fund deficit of \$15,122. The Township plans to correct the deficit through reduction in expenditures in upcoming fiscal year.

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated 15 banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 3 - Deposits and Investments (Continued)

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$5,705,127 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Component Unit:

Of the Township's component unit deposits \$962,433 are uninsured and uncollateralized.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities of the Township (other than the U. S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Mutual funds	\$166,167	AAA	S&P
Mutual funds	\$112,971	AAA	Fitch
Oakland County local government investment pool	\$622,684	N/A	N/A

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 3 - Deposits and Investments (Continued)

#### Credit Risk (Continued)

Component unit:

As of year end, the credit quality ratings of debt securities of the Township's component unit (other than the U. S. government) is as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Oakland County local government investment pool	\$128,948	N/A	N/A

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Governmental Funds/Activities</u>		
	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Property taxes	\$ 2,363,006	\$ -	\$ 2,363,006
Special assessments	-	4,590	4,590
Recreation program fees	<u>20,133</u>	<u>-</u>	<u>20,133</u>
Total	<u>\$ 2,383,139</u>	<u>\$ 4,590</u>	<u>\$ 2,387,729</u>

The component unit deferred revenue represents property taxes that have not been earned as of December 31, 2006.

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 5 - Capital Assets

The Township's capital asset activity was as follows:

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 1,227,369	\$ -	\$ -	\$ 1,227,369
Construction in progress	-	191,802	-	191,802
Subtotal	1,227,369	191,802	-	1,419,171
Capital assets being depreciated:				
Buildings and building improvements	1,024,765	-	-	1,024,765
Land improvements	30,125	-	-	30,125
Vehicles	62,198	21,835	17,520	66,513
Office furnishings	258,149	15,855	71,796	202,208
Other tools and equipment	175,907	1,120	-	177,027
Sidewalks	250,000	-	-	250,000
Participation in county roads	502,509	-	-	502,509
Subtotal	2,303,653	38,810	89,316	2,253,147
Accumulated depreciation:				
Buildings and building improvements	231,297	42,581	-	273,878
Land improvements	5,483	1,423	-	6,906
Vehicles	55,699	3,639	17,520	41,818
Office furnishings	110,516	26,620	37,594	99,542
Other tools and equipment	20,889	5,241	-	26,130
Sidewalks	22,916	8,333	-	31,249
Participation in county roads	77,769	42,443	-	120,212
Subtotal	524,569	130,280	55,114	599,735
Net capital assets being depreciated	1,779,084	(91,470)	34,202	1,653,412
Net capital assets	<u>\$ 3,006,453</u>	<u>\$ 100,332</u>	<u>\$ 34,202</u>	<u>\$ 3,072,583</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 8,520
Police	7,002
Building inspections and related	45,465
Streets	50,777
Recreation programs	7,440
Senior citizen services	11,076
Total	<u>\$ 130,280</u>

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 5 - Capital Assets (Continued)

**Construction Commitments-** The Township has active construction projects at year end, for the construction at Township parks. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Park Project	\$96,000	\$393,530

The Fire Authority's capital asset activity was as follows:

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
Capital assets not being depreciated:				
Land	\$ 294,818	\$ 1,562,384	\$ -	\$ 1,857,202
Construction in progress	-	-	-	-
Subtotal	294,818	1,562,384	-	1,857,202
Capital assets being depreciated:				
Building and building improvements	2,837,772	6,125	-	2,843,897
Land improvements	93,100	10,249	-	103,349
Vehicles	1,697,425	253,272	-	1,950,697
Office furnishings	45,386	1,038	3,900	42,524
Other tools and equipment	116,837	4,680	-	121,517
Subtotal	4,790,520	275,364	3,900	5,061,984
Accumulated depreciation:				
Building and building improvements	820,498	57,622	-	878,120
Land improvements	16,336	2,925	-	19,261
Vehicles	894,752	98,998	-	993,750
Office furnishings	25,155	5,669	2,900	27,924
Other tools and equipment	43,432	10,960	-	54,392
Subtotal	1,800,173	176,174	2,900	1,973,447
Net capital assets being depreciated	2,990,347	99,190	1,000	3,088,537
Net capital assets	\$ 3,285,165	\$ 1,661,574	\$ 1,000	\$ 4,945,739

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 6 - Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund providing resources	Fund receiving resources	Amount
General Fund	Designated Fund	\$ 1,110,857
General Fund	Walnut Hills Debt Svc. Fund	17,000
Police Fund	Designated Fund	106,980
Seymour Lk. Cemetery Fund	Designated Fund	24,614
Recreation Program Fund	Designated Fund	127,160
Designated Fund	General Fund	349,694
Designated Fund	Police Fund	106,980
Designated Fund	Recreation Program Fund	2,500
Total		<u>\$ 1,845,785</u>

The transfers from the General, Police, Seymour Lake Cemetery, and Recreation Funds to the Designated Fund were made to establish the Designated Fund. During the year the Designated Fund transferred back to the various funds amounts for designated expenditures made in the applicable funds.

The transfer from the General Fund to the Walnut Hills Debt Service Fund was made to cover debt payments.

### Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 7 - Long-term Debt (Continued)

**Government Activities** – The Township has the following long term debt outstanding as of December 31, 2006:

1998 Library Building Unlimited Tax General Obligation bonds bearing interest from 4.25 percent to 4.5 percent, and maturing in 2018	\$	3,010,000
Land purchase obligation, bearing interest at 5.0 percent, and maturing in 2009		324,928
Personal property tax appeals		25,143
Capital Lease		11,101
Employee-compensated absences		5,204
Total long-term debt	\$	<u>3,376,376</u>

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	\$ 3,215,000	\$ -	\$ 205,000	\$ 3,010,000	\$ 190,000
Land purchase obligations	431,725	-	106,797	324,928	112,261
Capital lease	-	11,762	661	11,101	2,063
Total bonds and other obligations	3,646,725	11,762	312,458	3,346,029	304,324
Tax appeals	25,143	-	-	25,143	25,143
Compensated absences	1,847	5,204	1,847	5,204	5,204
Total	<u>\$ 3,673,715</u>	<u>\$ 16,966</u>	<u>\$ 314,305</u>	<u>\$ 3,376,376</u>	<u>\$ 334,671</u>

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2007	\$ 304,324	\$ 142,995	\$ 447,319
2008	320,254	128,777	449,031
2009	307,113	113,870	420,983
2010	222,672	102,137	324,809
2011-2015	1,266,666	354,053	1,620,719
2016-2018	925,000	63,563	988,563
Total	<u>\$ 3,346,029</u>	<u>\$ 905,395</u>	<u>\$ 4,251,424</u>

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 7 - Long-term Debt (Continued)

**Component Unit** - Long-term debt of the Fire Authority consists of the following:

Installment Purchase Obligations

Purchase of Engine 1, bearing interest at 3.295 percent and maturing in 2011, with \$42,478 due within one year.	\$	226,855
Purchase of Tanker 1, bearing interest ranging from 3.72 to 0.70 percent and maturing in 2012, with \$32,904 due within one year.		216,723
Purchase of Tahoe, bearing interest ranging from 3.72 to 0.70 percent and maturing in 2012, with \$4,428 due within one year.		29,166
Land Purchase, bearing interest of 4.069 percent and maturing in 2016, with \$136,950 due within one year.		1,369,500
Personal property tax appeals		26,500
Employee-compensated absences		<u>7,531</u>
Total long-term debt	\$	<u>1,876,275</u>

**Component Unit** - Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment purchase obligations	267,978	1,651,382	77,116	1,842,244	216,760
Tax appeals	26,500	-	-	26,500	26,500
Compensated absences	4,947	7,531	4,947	7,531	7,531
Total	<u>\$ 299,425</u>	<u>\$ 1,658,913</u>	<u>\$ 82,063</u>	<u>\$ 1,876,275</u>	<u>\$ 250,791</u>



# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above installment purchase obligation and other obligations are as follows:

	Principal	Interest	Total
2007	\$ 250,791	\$ 72,347	\$ 323,138
2008	219,549	63,985	283,534
2009	222,434	55,527	277,961
2010	225,423	46,967	272,390
2011	228,514	38,302	266,816
2012-2016	729,564	85,254	814,818
Total	<u>\$ 1,876,275</u>	<u>\$ 362,382</u>	<u>\$ 2,238,657</u>

### Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers compensation and employee medical claims and participates in the Michigan Municipal Risk Management Authority's State Pool program for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's (the "Authority") State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

# **Charter Township of Brandon**

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## **Notes to Financial Statements December 31, 2006**

### **Note 9 - Defined Contribution Pension Plan**

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after 90 days of employment. As established by the Township board, the Township contributes 12 percent of employees' gross earnings. In accordance with these requirements, the Township contributed approximately \$7,000 during the current year. The Township's contributions for each employee (plus interest allocated to the employee's account) are fully vested immediately.

### **Note 10 - Municipal Employees Retirement System**

The Township participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit plan that covers all nonunion and union employees that choose to participate by majority vote. Employees were given the option to remain with the defined contribution plan. 2 employees elected to do so. Any new employees would only be eligible for MERS. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

#### **Funding Policy**

The obligation to contribute to and maintain the system for these full-time employees was established by the Township's board and requires a contribution from the employees of 2 percent of gross wages and a contribution from the employer for participating full-time Township employees of 9.21 percent and 9.08 percent of their gross wages for trustees.

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 10 - Municipal Employees Retirement System (Continued)

#### Annual Pension Cost

The Township began participation in the MERS plan in October 2005. For year ended December 31, 2006, the Charter Township's annual pension cost of \$140,829 for the plan was equal to the Charter Township's required and actual contribution. The annual required contribution was determined as part of an initial actuarial valuation as of October 1, 2005, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit longevity and promotional salary increases, and (c) 2.5 percent per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

#### Trend Information

##### Fiscal year ended December 31, 2006:

Annual pension cost	\$140,829
Percentage of APC contributed	100%
Net pension obligation	-

##### Actuarial valuation as of December 31, 2005:

Actuarial value of assets	\$2,811,444
Actuarial Accrued Liability (entry age)	3,448,506
Unfunded AAL	637,062
Funded ratio	81.5%
Covered payroll	1,617,970
UAAL as a percentage of covered payroll	39.37%

# Charter Township of Brandon

## Notes to Financial Statements December 31, 2006

### Note 11 - Other Postemployment Benefits

The Township has elected to provide postemployment health benefits to all full time employees with over 20 years of continuous service upon retirement through private insurers, in accordance with Township policy. Currently, two Township retirees are eligible. For the fiscal year ended December 31, 2006, the Township made payments for postemployment health benefit premiums of approximately \$13,000.

In addition, the Fire Authority offers retiree health care benefits. The cost amounted to approximately \$14,000 in the current year relating to one retiree.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended December 31, 2009.

### Note 12 - Fund Balance Designations

The Township Board transfers amounts that it intends to hold for specific future uses into the Designated Fund. The fund balance of that fund is designated for the following purposes:

Municipal improvements	\$	50,882
Park development		464,659
Right of way improvements		23,498
Skate park		2,316
Park grant		86,846
Baseball		11,011
Wrestling		4,300
Soccer		22,809
State carryforward		322,547
Cemetery perpetual care		24,998
	\$	<u>1,013,866</u>

# **Charter Township of Brandon**

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**Notes to Financial Statements  
December 31, 2006**

## **Note 13 - Lease Receivable**

The 1998 Library Building Unlimited Tax General Obligation bonds were issued by the Township in order to provide the necessary resources for the Brandon Township Public Library's building and equipment. The bond is supported by a millage that is being paid by the residents of the Township. The lease receivable is recorded in the statement of net assets and represents the outstanding receivable related to the bonds that are currently being repaid by the Township through the special tax levy.

## **Required Supplemental Information**

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# Charter Township of Brandon

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Revenue</b>				
Property taxes	\$ 505,404	\$ 505,404	\$ 507,636	\$ 2,232
Licenses and permits	117,100	117,100	68,412	(48,688)
Federal grants	36,788	36,788	22,717	(14,071)
State-shared revenues and grants	1,022,204	1,022,204	992,871	(29,333)
Charges for services	6,176	6,176	6,199	23
Interest and rentals	75,000	75,000	134,777	59,777
Other	36,300	36,300	47,362	11,062
Total revenue	1,798,972	1,798,972	1,779,974	(18,998)
<b>Expenditures - Current</b>				
General government	1,301,782	1,326,311	1,162,636	163,675
Public safety	236,330	236,330	191,967	44,363
Public works	191,000	200,710	102,095	98,615
Health and welfare	148,999	148,999	134,989	14,010
Community and economic development	36,788	36,788	19,932	16,856
Recreation and culture	122,124	122,124	119,532	2,592
Capital outlay	6,750	175,421	206,005	(30,584)
Debt service	126,373	126,373	127,607	(1,234)
Total expenditures	2,170,146	2,373,056	2,064,763	308,293
<b>Excess of Revenue Over (Under) Expenditures</b>	(371,174)	(574,084)	(284,789)	289,295
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	-	11,762	11,762
Transfers In	199	153,436	349,694	196,258
Transfers out	(199)	(153,436)	(1,127,857)	(974,421)
Total other financing uses	-	-	(766,401)	(766,401)
<b>Net Change in Fund Balance</b>	(371,174)	(574,084)	(1,051,190)	<b>\$ 477,106</b>
<b>Fund Balance - Beginning of year</b>	1,538,683	1,538,683	1,538,683	
<b>Fund Balance - End of year</b>	<b>\$ 1,167,509</b>	<b>\$ 964,599</b>	<b>\$ 487,493</b>	

# Charter Township of Brandon

## Required Supplemental Information Budgetary Comparison Schedule - Police Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Revenue</b>				
Property taxes	\$ 1,500,753	\$ 1,507,965	\$ 1,507,965	\$ -
Licenses and permits	2,200	4,706	4,706	-
Fines and forfeitures	20,000	26,136	26,136	-
Interest and rentals	18,000	30,887	30,887	-
Other	20,000	21,250	21,250	-
Total revenue	1,560,953	1,590,944	1,590,944	-
<b>Expenditures</b>				
Public safety	1,760,953	1,713,249	1,713,046	203
<b>Excess of Revenue Over (Under) Expenditures</b>	(200,000)	(122,305)	(122,102)	(203)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	106,980	106,980
Transfers out	-	-	(106,980)	(106,980)
Total other financing sources (uses)	-	-	-	-
<b>Net Change in Fund Balance</b>	(200,000)	(122,305)	(122,102)	<b>\$ 203</b>
<b>Fund Balance - Beginning of year</b>	106,980	106,980	106,980	
<b>Fund Balance (deficit) - End of year</b>	<b>\$ (93,020)</b>	<b>\$ (15,325)</b>	<b>\$ (15,122)</b>	



# Charter Township of Brandon

## Required Supplemental Information Budgetary Comparison Schedule - Recreation Program Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Revenue</b>				
Recreation program fees	\$ 249,193	\$ 226,476	\$ 233,900	\$ 7,424
Discount tickets	13,000	11,383	11,556	173
Charges to other local units	15,000	15,000	15,000	-
Interest and rentals	5,000	9,150	9,098	(52)
Total revenue	282,193	262,009	269,554	7,545
<b>Expenditures - Recreation and culture</b>				
Recreation programs	220,235	203,443	204,889	(1,446)
Discount tickets	13,000	11,555	11,555	-
Other	30,468	30,848	32,184	(1,336)
Capital outlay	-	22,500	24,745	(2,245)
Total expenditures	263,703	268,346	273,373	(5,027)
<b>Excess of Revenue Over (Under) Expenditures</b>	18,490	(6,337)	(3,819)	2,518
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	2,500	2,500
Transfers out	(47,500)	(47,500)	(127,160)	(79,660)
Total other financing sources (uses)	(47,500)	(47,500)	(124,660)	(77,160)
<b>Net Change in Fund Balance</b>	(29,010)	(53,837)	(128,479)	<b><u>\$ (74,642)</u></b>
<b>Fund Balance - Beginning of year</b>	142,237	142,237	142,237	
<b>Fund Balance - End of year</b>	<b><u>\$ 113,227</u></b>	<b><u>\$ 88,400</u></b>	<b><u>\$ 13,758</u></b>	

# Charter Township of Brandon

## Required Supplemental Information Budgetary Comparison Schedule - Designated Fund Year Ended December 31, 2006

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>Revenue</b>				
Metro authority revenue	\$ -	\$ -	\$ 11,163	\$ 11,163
Cell tower revenue	-	-	55,333	55,333
Interest and rentals	-	-	36,933	36,933
Total revenue	-	-	103,429	103,429
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,398,153	1,473,040	1,369,611	(103,429)
Transfers out	(171,373)	(459,174)	(459,174)	-
Total other financing sources (uses)	1,226,780	1,013,866	910,437	(103,429)
<b>Net Change in Fund Balance</b>	1,226,780	1,013,866	1,013,866	<u>\$ -</u>
<b>Fund Balance - Beginning of year</b>	-	-	-	
<b>Fund Balance - End of year</b>	<u>\$ 1,226,780</u>	<u>\$ 1,013,866</u>	<u>\$ 1,013,866</u>	

# Charter Township of Brandon

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## **Note to Required Supplemental Information December 31, 2006**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the Township supervisor and approved by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds, with the exception that operating transfers have been included in the "revenue" and/or "expenditures" categories, rather than as "other financing sources (uses)."

The Township follows procedures outlined below in establishing the budget reflected in the financial statements:

1. The budget process begins in August/September via a communication to all departments specifying what expenditures will be necessary during the subsequent fiscal year.
2. The Township supervisor, upon receipt of the information from the departments, reviews the amounts and sets up a preliminary budget.
3. The Township board meets and discusses the budget in various budget study sessions and makes adjustments as deemed necessary.
4. Following the numerous meetings and revisions, the budget is presented to the board for final approval.

The budget has been adopted on an activity basis; expenditures at this level in excess of budgeted amounts are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds as adopted by the Township board are included in the required supplemental information of the basic financial statements. A comparison of the actual results of operations to the nonmajor Special Revenue Funds' budgets as adopted by the Township is available at the Township Hall for inspection.

# Charter Township of Brandon

## Note to Required Supplemental Information December 31, 2006

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the following funds incurred expenditures in excess of budget:

	<u>Actual Expenditures</u>	<u>Final Budget</u>	<u>Excess Expenditures Over Budget</u>
General Fund:			
Capital outlay	\$175,421	\$ 206,005	\$ 30,584
Debt service	126,373	127,607	1,234
Transfers out	153,436	1,127,857	974,421
Police Fund:			
Transfer out	-	106,980	106,980
Recreation Program Fund:			
Recreation programs	203,443	204,889	1,446
Other	30,848	32,184	1,336
Transfers out	47,500	127,160	79,660

During the year the Township violated State law by adopting a budget with a fund balance deficit in the Police Fund.

## **Other Supplemental Information**

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# Charter Township of Brandon

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds December 31, 2006

	Special Revenue Funds				Walnut Hills Debt Service Fund	Total
	Seymour Lake Cemetery	Zarieda Street	Lake Louise	Upper Bushman		
<b>Assets</b>						
Cash and investments	\$ 5,374	\$ 2,460	\$ 34,333	\$ 4,101	\$ 10,438	\$ 56,706
Receivables - Special assessments	-	-	-	-	11,997	11,997
Total assets	<u>\$ 5,374</u>	<u>\$ 2,460</u>	<u>\$ 34,333</u>	<u>\$ 4,101</u>	<u>\$ 22,435</u>	<u>\$ 68,703</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ 2,500	\$ -	\$ -	\$ 2,500
Accrued and other liabilities	-	-	-	-	-	-
Deferred revenue	-	-	-	-	4,590	4,590
Total liabilities	-	-	2,500	-	4,590	7,090
<b>Fund Balances</b>						
Unreserved	5,374	2,460	31,833	4,101	17,845	61,613
Total fund balances	5,374	2,460	31,833	4,101	17,845	61,613
Total liabilities and fund balances	<u>\$ 5,374</u>	<u>\$ 2,460</u>	<u>\$ 34,333</u>	<u>\$ 4,101</u>	<u>\$ 22,435</u>	<u>\$ 68,703</u>

# Charter Township of Brandon

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended December 31, 2006

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Seymour Lake Cemetery	Zarieda Street	Lake Louise	Upper Bushman	Walnut Hills Debt Service Fund	
<b>Revenue</b>						
Special assessments	-	6,451	64,388	22,022	9,341	\$ 102,202
Charges for services	3,950	-	-	-	-	3,950
Interest and rentals	-	215	-	258	1,025	1,498
Total revenue	<u>3,950</u>	<u>6,666</u>	<u>64,388</u>	<u>22,280</u>	<u>10,366</u>	<u>107,650</u>
<b>Expenditures</b>						
Current:						
Public works:						
Septic system maintenance	-	6,235	-	-	-	6,235
Lake weed cutting	-	-	59,164	20,588	-	79,752
Cemetery	9,163	-	-	-	-	9,163
Debt service	-	-	-	-	27,639	27,639
Total expenditures	<u>9,163</u>	<u>6,235</u>	<u>59,164</u>	<u>20,588</u>	<u>27,639</u>	<u>122,789</u>
<b>Excess of Revenue Over (Under)</b>						
Expenditures	(5,213)	431	5,224	1,692	(17,273)	(15,139)
<b>Other Financing Sources (uses)</b>						
Transfers out	(24,614)	-	-	-	-	(24,614)
Transfers in	-	-	-	-	17,000	17,000
Total other financing sources (uses)	<u>(24,614)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>(7,614)</u>
<b>Net change in fund balances</b>	(29,827)	431	5,224	1,692	(273)	(22,753)
<b>Fund Balances</b>						
Beginning of year	35,201	2,029	26,609	2,409	18,118	84,366
End of year	<u>\$ 5,374</u>	<u>\$ 2,460</u>	<u>\$ 31,833</u>	<u>\$ 4,101</u>	<u>\$ 17,845</u>	<u>\$ 61,613</u>

# Charter Township of Brandon

## Other Supplemental Information Combining Statement of Agency Fund Assets and Liabilities December 31, 2006

	Library	Cable Commission	Tax Collection	Payroll	Escrow	Total
<b>Assets</b>						
Cash and investments	\$ 178,419	\$ 95,801	\$ 3,443,021	\$ 1,827	\$ 158,216	\$ 3,877,284
Due from other governments	5,451	-	-	-	-	5,451
Total assets	<u>\$ 183,870</u>	<u>\$ 95,801</u>	<u>\$ 3,443,021</u>	<u>\$ 1,827</u>	<u>\$ 158,216</u>	<u>\$ 3,882,735</u>
<b>Liabilities</b>						
Accounts payable	\$ 5	18,716	\$ -	\$ -	\$ -	\$ 18,721
Due to other governmental units	183,865	77,085	2,425,025	-	-	2,685,975
Due to component unit	-	-	1,017,996	-	-	1,017,996
Cash bonds and deposits	-	-	-	-	158,216	158,216
Accrued liabilities	-	-	-	1,827	-	1,827
Total liabilities	<u>\$ 183,870</u>	<u>\$ 95,801</u>	<u>\$ 3,443,021</u>	<u>\$ 1,827</u>	<u>\$ 158,216</u>	<u>\$ 3,882,735</u>



# Charter Township of Brandon

## Component Unit - Fire Authority Statement of Net Assets December 31, 2006

	Modified Accrual Basis					
	Fire Operating Fund	Fire Equipment and Housing Fund	Ambulance	Public Contributions	Accrual Adjustments	Full Accrual
<b>Assets</b>						
Cash and investments	\$ 570,623	\$ 777,178	\$ 464,911	\$ 11,273	\$ -	\$ 1,823,985
Receivables - Property taxes	1,720,460	569,713	-	-	-	2,290,173
Prepaid expenses	53,329	1,100	-	-	-	54,429
Capital assets	-	-	-	-	4,945,739	4,945,739
Total assets	<u>\$ 2,344,412</u>	<u>\$ 1,347,991</u>	<u>\$ 464,911</u>	<u>\$ 11,273</u>	4,945,739	<u>\$ 9,114,326</u>
<b>Liabilities</b>						
Accounts payable	\$ 22,153	\$ 18,575	\$ 1,249	\$ 976	-	\$ 42,953
Accrued liabilities	134	-	-	-	20,631	20,765
Deferred revenue	1,720,460	569,713	-	-	-	2,290,173
Long-term debt:						
Due within one year	-	-	-	-	250,791	250,791
Due in more than one year	-	-	-	-	1,625,484	1,625,484
Total liabilities	1,742,747	588,288	1,249	976	1,896,906	4,230,166
<b>Fund Balance</b>						
Reserved for:						
Prepaid expenses	53,329	1,100	-	-	(54,429)	-
Unreserved:						
Undesignated	548,336	758,603	463,662	10,297	(1,780,898)	-
Total fund balance	601,665	759,703	463,662	10,297	(1,835,327)	-
Total liabilities and fund balance	<u>\$ 2,344,412</u>	<u>\$ 1,347,991</u>	<u>\$ 464,911</u>	<u>\$ 11,273</u>		
<b>Net Assets</b>						
Investment in capital assets -						
Net of related debt					3,103,495	3,103,495
Unrestricted					1,780,665	1,780,665
Total net assets					<u>\$ -</u>	<u>\$ 4,884,160</u>

# Charter Township of Brandon

## Component Unit - Fire Authority Statement of Activities Year Ended December 31, 2006

	Modified Accrual Basis					
	Fire Operating Fund	Fire Equipment and Housing Fund	Ambulance	Public Contributions	Accrual Adjustments	Full Accrual
<b>Revenue</b>						
Property taxes	\$ 1,620,461	\$ 536,621	\$ -	\$ -	\$ -	\$ 2,157,082
Interest	55,832	44,784	19,292	515	-	120,423
Charges and fees	-	-	184,956	-	-	184,956
Other	5,077	-	100	13,564	-	18,741
Total revenue	1,681,370	581,405	204,348	14,079	-	2,481,202
<b>Expenditures</b>						
Salaries and wages	1,023,487	-	20,180	-	2,584	1,046,251
Fringe benefits	370,609	-	-	-	-	370,609
Insurance	50,235	-	-	-	-	50,235
Utilities	31,048	-	-	-	-	31,048
Repair and maintenance	17,102	103,153	5,759	-	-	126,014
Training	8,125	-	6,316	-	-	14,441
Capital outlay	1,000	1,836,748	-	-	(1,837,748)	-
Interest	-	19,316	-	-	17,673	36,989
Principal	-	77,116	-	-	(77,116)	-
Depreciation	-	-	-	-	176,174	176,174
Other expenditures	62,344	-	70,682	13,178	-	146,204
Total expenditures	1,563,950	2,036,333	102,937	13,178	(1,718,433)	1,997,965
<b>Excess of Revenue Over</b>						
<b>(Under) Expenditures</b>	117,420	(1,454,928)	101,411	901	1,718,433	483,237
<b>Other Financing Sources (uses)</b>						
Issuance of Debt	-	1,651,381	-	-	(1,651,381)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(1,000)	(1,000)
Total other financing sources (uses)	-	1,651,381	-	-	(1,652,381)	(1,000)
<b>Net change in fund balances</b>	117,420	196,453	101,411	901	66,052	482,237
<b>Fund Balances</b>						
Beginning of year	484,245	563,250	362,251	9,396	2,982,781	4,401,923
End of year	<u>\$ 601,665</u>	<u>\$ 759,703</u>	<u>\$ 463,662</u>	<u>\$ 10,297</u>	<u>\$ 3,048,833</u>	<u>\$ 4,884,160</u>



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## Report on Internal Control

May 17, 2007

To Members of the Board  
Charter Township of Brandon  
Oakland County, Michigan

Dear Board Members:

Beginning with this year's audit, national auditing standards now call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this new **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Charter Township of Brandon as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or

combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

### **Accrual Adjustments**

During the audit, we generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records (accounts payable, property tax and other receivables, capital assets, long term debt, employee compensated absences, special assessment revenue recognition, etc.). We are pleased to assist in this process – our auditors have expertise in accrual adjustments, and can generally assist in a very cost-efficient manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated, and to allow you to evaluate whether we in fact are the most cost-effective method of assisting in closing the books (as opposed to a second service provider, etc.).

### **Bank Reconciliations**

Currently, the bank reconciliation process works quite well – the Treasurer prepares a reconciliation to the bank statement each month, and the accountant reviews this and adjusts the general ledger accordingly. However, currently there is not sufficient investigation of discrepancies between the general ledger and the reconciliation. As a result, the accountant generally posts any adjustments to a specific account (accounts payable account adjustments are posted to miscellaneous expense, and payroll account adjustments are posted to Due to employees). We believe that any adjustments should be investigated to understand what caused the discrepancy, and the appropriate adjustment should then be posted.

In connection with this, we believe that the reconciliation process would be significantly simplified if the Treasurer would re-organize the bank and investment accounts somewhat, to coincide more with the general ledger. When we were asked last year if the bank and investment account structure needed to change to coincide with the new Designated Fund created by the Township Board, we opined that they did not. However, in hindsight, this has made the reconciliation process more complex, and more difficult to investigate any discrepancies. We have discussed this with the Treasurer, and believe she is in agreement that re-organizing the accounts can be accomplished with the Township continuing to garner higher returns through higher principal investment balances (principally because the Designated Fund represents approximately \$1 million of investable cash).

### **Other Items Noted During Our Audit**

#### **Post Employment Benefit Funding**

In 2006, the Township Board approved participation in the Municipal Employees Retirement System (MERS) Retiree Health Care Funding Program. Because of the Township's benefit provision that allows for refunds of non-vested employee contributions, it may or may not be prudent to transfer 100% of the existing retiree health care assets into the MERS plan. On the other hand, the more money invested in the MERS

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plan, the lower the present value cost to the Township of funding this benefit.

We recommend that the Township Board determine a method of deciding the optimum amount to be invested in the MERS retiree health care program. To date, the Treasurer has transferred a relatively "safe" amount of approximately \$100,000 out of the \$150,000 available to be transferred. It is our hope that the Township would transfer the maximum that it feels comfortable with, given the impact on the long run cost of funding this benefit.

### **Fund Balance Deficits**

At the end of the year, the Police fund and Upper Bushman fund have fund balance deficits of \$15,122 and \$633, respectively. The Township has a plan to eliminate the DARE officer wages and the wages related to a shared officer with other townships as well as an increase in the millage. We want to remind the Township that a formal plan to eliminate the deficit will need to be prepared and submitted to the Michigan Department of Treasury. We would be happy to assist you with this if you would like.

### **Walnut Hills Fund Balance**

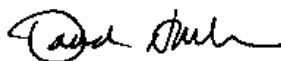
In 2006, the Township needed to transfer \$17,000 into the Walnut Hills special assessment fund to cover a shortfall, so that this fund could meet its final debt obligation. This was caused primarily by early payoffs of special assessments (resulting in lower interest earned than interest expense on the bonds), as well as late collections of the special assessment receivables. We anticipate that by the middle of 2007, the remainder of the special assessment should be collected (or be received from Oakland County's purchase of delinquent real taxes). As a result, there should be a residual fund balance in this fund. We recommend that the Township Board transfer any remaining balance into the General Fund.

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,  
PLANTE & MORAN, PLLC



Joseph C. Heffernan, CPA



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